17 September 2021

ALPHA REAL TRUST LIMITED ("ART" OR THE "COMPANY" OR THE "GROUP")

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 30 June 2021 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

ART targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns. ART currently focusses on asset-backed lending, debt investments and high return property investments in Western Europe that are capable of delivering strong risk adjusted cash flows.

The portfolio mix at 30 June 2021, excluding sundry assets/liabilities, was as follows:

	30 June 2021	31 March 2021
High return debt	28.2%	26.1%
High return equity in property investments	20.0%	19.5%
Other investments	4.4%	0.5%
Cash	47.4%	53.9%

After a strategic pause to evaluate how the effects of the economic shock from Covid-19 unfolded, new senior and mezzanine lending has recommenced. Growth of the loan portfolio remains a key focus for ART and is expected to attract a larger allocation of capital for new investments.

The Company's Investment Manager is Alpha Real Capital LLP ("ARC").

Highlights

- NAV per ordinary share 208.1p as at 30 June 2021 (31 March 2021: 207.7p).
- Adjusted earnings for the period ended 30 June 2021 of 1.4p per ordinary share (Year to 31 March 2021: 3.4p per ordinary share).
- For the period ended 30 June 2021 basic losses of 0.1p per ordinary share (Year to 31 March 2021: earnings of 0.0p per ordinary share).
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 22 October 2021.
- Robust financial position: during the past year, which was characterised by uncertainty, ART adopted a cautious approach to new investment and conserved cash. As the economy re-opens post Covid-19, the Company's robust financial footing makes it well positioned to take advantage of new investment opportunities.
- Diversified portfolio of secured senior and secured mezzanine loan investments: as at 30 June 2021 the size of ART's secured loan portfolio was £35.7 million, representing 28.2% of the investment portfolio.
- New loan investments: after a strategic pause to evaluate how the effects of the economic shock from Covid 19 unfolded, new lending has now recommenced. Growth of the loan portfolio remains a key focus for ART and is expected to attract larger allocation of capital for new investments.
- The senior portfolio has an average LTV of 50.9% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 69.8% whilst the highest approved senior loan LTV is 72.9%).

Investment summary

Portfolio overview as at 30 June 2021

Investment name Investment type	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High return debt (28.2%)						
Secured senior finance						
Senior secured loans (excluding committed but undrawn facilities of £1.5m)	£17.5m [2]	9.1% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt (during the period the average senior facilities commitments were £16.9m)	13.8%
Secured mezzanine finance						
Second charge mezzanine loans	£18.2m [2]	14.6% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine debt and subordinated debt (during the period the average mezzanine facilities commitments were £14.9m)	14.4%
High return equity in property investments (20.0%)						
H2O shopping centre						
Indirect property	£16.4m (€19.1m)	2.0% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; medium term moderately geared bank finance facility	13.0%
Long leased industrial facility, Hamburg						
Direct property	£7.0m [5] (€8.1m)	7.1% [4]	Germany	Long leased industrial complex in major European industrial and logistics hub	Long term moderately geared bank finance facility	5.5%
Cambourne Business Park						
Indirect property	£1.9m	8.1% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.5%
Other investments (4.4%)						
Commercial Long Income PAIF	£5.0m	4.0%[4]	UK	Long Income UK fund	No external gearing	4.0%
Realhousingco Affordable housing Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.4%
Cash and short-term investments (47.4%)						
Cash [6]	£59.9m	0.1% [7]	UK	'On call' and current accounts		47.4%

[1] Percentage share shown based on NAV excluding the company's sundry assets/liabilities
[2] Including accrued interest/coupon at the balance sheet date
[3] The income returns for high return debt are the annualised actual finance income return over the period shown as a percentage of the average committed capital over the period
[4] Yield on equity over 12 months to 30 June 2021
[5] Property value including sundry assets/liabilities and cash, net of associated debt
[6] Group cash of £60.5m excluding cash held with the Hamburg holding company of £0.6m
[7] Weighted average interest earned on call accounts

Further to the annual results announcement on 11 June 2021, the following are key investment updates.

ART's investment portfolio benefits from diversification across geographies, sectors and asset types. Prior to the emergence of Covid-19, the Company had focused on recycling capital into asset-backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy, and it has placed the Company on a robust financial footing.

Over the past financial year, the Company adopted a cautious approach to new investment, including new lending. Supported by the positive performance of the Company's existing investments and more favourable economic indicators, ART has reactivated its investment activities with a key focus on continuing to grow its diversified loan portfolio.

Diversified secured lending investment

The Company has a diversified portfolio of secured senior and mezzanine loan investments. The loans are typically secured on real estate investment and development assets with attractive risk adjusted income returns. As at 30 June 2021, ART had committed £37.2 million across twenty-two loans, of which £35.7 million was drawn.

During the quarter to 30 June 2021, four loans totalling £2.8 million (including accrued interest and exit fees) were fully repaid and a further £0.2 million (including accrued interest) was received as part repayments. Post period end, two loans were fully repaid for £5.3 million (including accrued interest and applicable fees) and a further £0.4 million (including accrued interest) was received as part repayments.

As at 30 June 2021, 49.0% of the Company's loan investments were senior loans and 51.0% were mezzanine loans. The portfolio has an average LTV of 57.8% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 69.8% whilst the highest approved senior loan LTV is 72.9%). Portfolio loans are underwritten against value for investment loans or gross development value for development loans as relevant and collectively referred to as LTV in this report. The largest individual loan in the portfolio as at 30 June 2021 is a senior loan of £4.4 million which represents 13.2% of committed loan capital and 3.5% of the Company's NAV.

The underlying assets in the loan portfolio as at 30 June 2021 had geographic diversification with a London and South East focus. The South of England (including London) accounted for 68%, of which London accounted for 42%, of the committed capital within the loan investment portfolio.

To date, the Company has experienced no defaults, but the underlying loan portfolio continues to be closely monitored especially considering the broader economic effects of the Covid-19 pandemic and its potential impact on construction timelines and sales periods. Where it is considered appropriate, on a case-by-case basis, underlying loan terms may be extended or varied.

H2O, Madrid

ART has a 30% stake in joint venture with CBRE Global Investors in the H2O shopping centre in Madrid. Since the mandatory closures of all shopping centres in Spain at the onset of the pandemic during mid-March to early June 2020, the centre has since remained open and trading with some restrictions in opening hours applying to leisure related tenants' opening hours

H2O occupancy by area as at 30 June 2021 was 88.2%. In the calendar year to 30 June 2021, visitor numbers have reduced by approximately 27% versus the same (pre-Covid) period in 2019. With the ongoing impact of the Covid-19 pandemic impacting retailing and leisure activities, a practical approach is being taken with tenants to manage any rent arrears whilst seeking to protect the long-term value of the centre.

The lingering impact of Covid-19 will have a continued negative impact on the earnings of H2O for the current year.

Other investments

Galaxia, India

As previously announced, the Supreme Court of India ruled in favour of ART's dispute regarding its Galaxia investment, a 50:50 joint venture with Logix Group ("Logix") that owns an 11.2 acre development site located in NOIDA, the National Capital Region, India.

ART has recovered, through the extended court process, amounts that have exceeded the original investment made. The remaining amount of the court award remains outstanding.

As part of the ruling, the court permitted Logix to sell the Galaxia site to raise capital for the balance.

As previously announced, a purchaser for the site has been identified and has lodged a deposit towards the acquisition proceeds with the Supreme court but has subsequently sought a number of extensions in relation to funding requirements to complete a sale. Court hearings to this effect are ongoing.

Failure to recover the proceeds from a sale would mean that Logix would be required to pay the remainder of the liability due to ART under the court award of INR 568 million (£5.5 million) plus a higher interest rate applicable under the arbitration award.

ART continues to actively pursue its claim to collect the balance of the arbitration award. Given the uncertainty about the quantum and timing of any future recovery, the Company carried the joint venture in arbitration in its accounts as at 30 June 2021 at nil value.

Net asset value ('NAV')

As at 30 June 2021, the unaudited NAV per ordinary share of the Company was 208.1p (31 March 2021: NAV of 207.7p).

The increase in NAV is due to positive adjusted earnings and foreign exchange movements in the period less dividends.

Dividends

The current intention of the Company is to pay a dividend each quarter.

The Board announces a dividend of 1.0 pence per ordinary share which is expected to be paid on 22 October 2021 (ex-dividend date 30 September 2021 and record date 1 October 2021).

The dividends paid and declared for the 12 months to 30 June 2021 total 4.0 pence per share, representing a dividend yield of 2.5% on the average share price over the period.

Scrip dividend alternative

Shareholders of the Company have the option to receive shares in the Company in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time.

The number of ordinary shares that an Ordinary Shareholder will receive under the Scrip Dividend Alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted "ex" the relevant dividend.

The Board has elected to offer the scrip dividend alternative to Shareholders for the dividend for the quarter ended 30 June 2021. Shareholders who returned the Scrip Mandate Form and elected to receive the scrip dividend alternative will receive shares in lieu of the next dividend. Shareholders who have not previously elected to receive scrip may complete a Scrip Mandate Form (this can be obtained from the registrar: contact Computershare (details below)), which must be returned by 8 October 2021 to benefit from the scrip dividend alternative for the next dividend.

Share buybacks

Under the general authority, approved by Shareholders on 7 August 2020, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares.

Under this authority, during the period, the Company purchased 52,836 shares in the market at the average price of £1.64 per share: these shares are held in treasury.

Post period end, the Company purchased 25,668 shares in the market at the average price of £1.68 per share: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 63,339,628 (including 2,122,924 ordinary shares held in treasury) and the total voting rights in the Company are 61,216,704.

Foreign currency

The Company monitors foreign exchange exposures and considers hedging where appropriate. Foreign currency balances have been translated at the period end rates of £1:€1.165 or £1:INR102.74, as appropriate.

Strategy and outlook

The economic and social impact of Covid-19 continues to dominate the economic backdrop in which the Company operates. Vaccine development and the fast pace of deployment, particularly in the United Kingdom, provides a supportive tailwind for a return to social normalisation and economic recovery, which will bode well for the property security underpinning the Company’s loan investments.

Prior to the emergence of Covid-19, the Company had focused on recycling capital into asset-backed lending whilst reducing exposure to development risk. The Company is benefiting from that strategy, and it has placed the Company on a robust financial footing. ART is well positioned to take advantage of new investment opportunities and, whilst adhering to its disciplined investment principles, is actively seeking to grow its diversified loan portfolio.

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